

Kenya Business Development Services Program

June 2005

Kenya BDS is a USAID funded activity. Our objective is to increase growth and incomes among rural MSEs through access to markets, and access to business services to compete in those markets.



Assistant Minister of Livestock and Fisheries Development, Hon. Suleiman Shakombo, addresses fisher-folk at Wakula Beach, Mfangano Island.



Hon. Shakombo conducts official opening of the Saga Beach Bank Outlet at Bao Beach, Kisumu District.

June Contents

June in Review.....	1
MLFD Study Tour to Lake Victoria.....	1
Promasidor Omena Market Linkage Activity Launched.....	2
Stakeholder Interview: WB Value-Chain-Based Matching Grant Program.....	3

June in Review

Since inception of our activities in the Lake Victoria Fish Subsector, we have had a close and collaborative working relationship with the Ministry of Livestock and Fisheries Development.

Critical to this relationship is the differentiation between public vs. private goods, whereby the Government has a clearly defined role to facilitate a supportive enabling environment, while allowing

the private sector to flourish. This understanding was reinforced during a recent field visit to Lake Victoria, during which time Ministry officials learned more about the Kenya BDS approach to market development.

One example included a newly launched Omena market linkage program in Suba District. Drawing from lessons learned in horticulture, the program will sensitize women

Omena processors on the business aspects of fishing as well as grades and standards, while forming them into groups and facilitating direct market linkages with an Omena exporter.

Such linkages are critical for ensuring that increased incomes are realized among those MSEs at the bottom of the value-chain.

Ministry of Livestock and Fisheries Development Conducts Study Tour to Lake Victoria

From June 16-17, Kenya BDS hosted a study tour to Lake Victoria with delegates from USAID and the Ministry of Livestock and Fisheries Development (MLFD). Guests from the Ministry included Assistant Ministers Hon. Suleiman Shakombo and Hon. Noah Wekesa, Permanent Secretary Eng. David Stower, and the Directors of each Department within the Ministry.

The two-day visit included a tour of Wakula Beach and the Mfangano West Fishermen Cooperative, where delegates learned about the fishing gear micro-leasing program, followed by the official opening of the Front Office Savings Activity (FOSA) at Wakula Beach.

Initiated by Africa Now and K-Rep Development Agency through Kenya BDS support, the FOSA will offer almost

all the services that conventional banks offer, including individual and joint savings accounts, school fees savings accounts, Christmas savings accounts, and fixed deposit accounts. Other services will include clearing of checks, postal/money order collection and processing, and the processing of salaries and school fees and other services.

On Rusinga Island a visit was made to the Promasidor collection site, where Kenya BDS is collaborating in an Omena market linkage activity for Kippi brand Omena. The visit provided Ministry officials an opportunity to learn about the technical aspects of Omena processing, as well as hear from Promasidor Managing Director Alastair Campbell on the opportunities and challenges facing the Omena sector.

Additional visits were made to the Mbita Ice Plant, as well as Bao Beach in Kisumu District, where Hon. Shakombo conducted an official opening of the SAGA beach bank outlet. Through assistance from local facilitator Resource Mobilization Center (RMC), SAGA has already opened 9 beach outlets under the program and mobilized over Kshs 19.6 million in deposits.

The strong participation of the Ministry of Livestock and Fisheries Development over the two-day period was indicative of the Kenyan Government's commitment to fisheries development, as well as donor coordination.

In addition to joint-field visits, Kenya BDS is also participating with the Fisheries Department through a Donor Consultative Forum which meets quarterly to discuss harmonization of development efforts within the sector.

Promasidor Omena Market Linkage Activity Launched

Pilot intervention will facilitate market linkages and embedded services for 400 women Omena processors in Suba District

The main fish species from Lake Victoria are the Nile Perch – *Lates Niloticus*, Omena – *Rastrineobola Argentea*, and Tilapia – *Oreochromis*. The three species together account for 97% of the landed catch in Lake Victoria, with Nile Perch accounting for 51%, Omena 31%, and Tilapia 15% respectively.

For the Omena species, the wholesaling function occurs at two main levels. First, wholesaling occurs at the landing beaches where fishermen sell to women traders who subsequently undertake artisanal processing in the form of sun-drying or frying. Second, the sun-dried Omena is either sold to local retailers, other large traders for onward transport to regional markets, or directly to animal feed fishmeal processors or their agents.

These market channels present significant challenges for women Omena processors. Each value-chain is monopolized by several layers of brokers, whose predatory nature has served to undermine the potential earnings of women processors. There is no guarantee that a buyer will be present at the beach on a given day, nor is there a clear understanding of the price to be paid. Some women processors are additionally constrained by informal micro-credit lenders, who for a small loan receive “first rights” to the processed fish.

Although the human consumption market has been more lucrative, the bulk of Omena fish is currently being

diverted to the animal fish meal industry. Unfortunately, the current artisanal processing technology (sun-drying over nets stretched across the ground) is so rudimentary that it leaves a lot of moisture in the fish requiring fishmeal processors to undertake further drying. The fishmeal processors argue that this particular sun-drying technique causes the Omena fish to produce a bad smell and bitter taste which makes animal feed retailers reluctant to buy from them. Moreover, by lying on the ground, the Omena fish is exposed to dirt, sand, and other animal contaminants.

To overcome these constraints and stimulate growth within the sector, Kenya BDS recently launched a pilot program with Promasidor, a reputable processor/exporter operating within Suba District for the marketing and selling of Omena.

Specifically, this program will target the women traders that are responsible for the post-catch handling, drying, and selling of Omena at the beach. Through the exporter’s field agents, women will be educated on the value of fishing as a business, the importance of quality control standards and grading, the necessity of working in processing “groups” for economies of scale, and assistance with modern technology for the efficient drying of Omena. (Initial demonstration equipment will be provided by the exporter at each pilot beach.)

Kenya BDS, through contracted facilitator

Mwangaza Counselling Services, will assist in building the capacity of the exporter’s field agents to deliver such assistance as part of their regular service offering, sensitizing potential women traders on the value of the market linkage activity, and working to ensure that such Omena drying equipment is available on a wide-scale and commercial basis.

For those groups that are able to adopt the modern technology and produce grade 1 Omena, Mwangaza Counselling Services will facilitate direct market linkages with the exporter, which will eventually include the development of supply contracts. Supply contracts will specify a guaranteed market and price based upon detailed standards, as well as the provision of sacks, beach-based collection, scales for standardized weighing, and even credit for women traders to buy and process the Omena. Most importantly the supply contracts serve to strengthen a long-standing business relationship between buyer and seller.

The Program will result in increased supply of Grade 1 Omena for the exporter and a reliable base of suppliers throughout Suba District. Over 400 women traders operating in 10 beaches will enjoy higher prices and a guaranteed market through direct linkages with the exporter, as well as increased awareness of grades and standards as related to their business.

June 2005



The most common approach to drying Omena is by laying the fish on nets placed directly on the ground. This results in uneven drying and exposes the fish to significant forms of ground contamination, such as dirt, sticks, and even animal feces as evidenced above. Such methods are hardly acceptable for human consumption!



Promasidor’s drying racks promote hygienic standards through continual elevation, as well as consistent drying by allowing air to flow underneath the fish. The construction materials are easily replicable through the jua kali sector.



A woman Omena processor selling her fish to a local trader. The Promasidor intervention will form women into groups for economies of scale, and link them directly with the market.

World Bank Targets Value-Chains and BDS for Increased Competitiveness

Stakeholder Interview with Anthony Getambu, Director of the World Bank Value-Chain Matching Grant Project

June 2005

What is the value-chain based matching grant fund?

The value-chain based matching grant fund is a Government of Kenya project funded by the World Bank and implemented by Deloitte Consulting Ltd. on behalf of the Ministry of Trade and Industry. The two major objectives of the project are to: 1) Strengthen competitiveness and raise value added in three value-chains, i.e. coffee, cotton and pyrethrum, by enhancing access to business development services (BDS); and 2) Strengthen linkages both between firms and from Micro, Small and Medium Enterprises (MSMEs) to the markets.

Who can access the Fund?

The fund can be accessed by Kenyan-based individuals, MSMEs, or an entity of individuals that operate in any one of the selected value chains. There is an emphasis that a pilot project, however, cannot benefit an individual company or a small number of individuals. Generally, direct beneficiaries of the matching grant are groups of enterprises or individuals.

Matching grants can however, be used to fund a variety of activities that serve to strengthen the targeted value chains. Examples could include: 1) short- and long-term technical training in areas such as product design and development, quality control, product pricing, agricultural extension services, etc.; 2) information services and other similar

activities that would facilitate the matching up between foreign buyers with selected value chains; and 3) targeted market analysis and other marketing support services.

How does the Matching Grant Fund Work?

Two or more sector entities, individuals, or groups of individuals will convene and jointly formulate a pilot project proposal. This is typically a two page concept paper which reflects the vision, objectives and goals of the industry-wide strategy.

The participating entity or individuals then form a Pilot Project Management Team (PPMT) to coordinate project implementation. The PPMT presents the project concept paper 10 days prior to an Apex Committee (AC) meeting for review and approval.

Upon approval by the Apex Committee, the PPMT formulates a comprehensive project proposal which is then forwarded to the Matching Grants Management Team (MGMT) for consideration. The MGMT invites and selects eligible BDS providers for the services identified in the project proposal.

In what ways will the Grant program affect change within the cotton, coffee and pyrethrum sub-sectors?

The program is designed to encourage collaboration, competition, and innovation among enterprises within the value-chain. Specifically, the

matching grant fund is anticipated to cause the following changes in the sub-sectors: 1) Increased demand by MSMEs for BDS; 2) Enhanced BDS supply oriented towards servicing specified markets on a sustainable basis; 3) Enhanced linkages between key players in the same sector; 4) Improved quality and quantity of products from the three sectors; 5) Reduced payment period for coffee farmers; and 6) Increased subcontracting arrangements among the key players in the chains.

What are some of the results your program expects to achieve?

The program will strengthen linkages between firms along the value chain and increase access to market for MSMEs. Through access to BDS, opportunities for value-addition and increased competitiveness will be realized.

Whom should we contact to find out more?

For more information please contact the Matching Grant Management Team at Deloitte Consulting, Ltd. P.O. Box 40092-00100 Nairobi, Telephone 020-4441-305-12, e-mail: valuechain@deloitte.co.ke.



Anthony Getambu, Director of the World Bank Value-Chain Matching Grant Project, is working to increase competitiveness in the coffee, pyrethrum, and cotton subsectors.

Next Issue...

- Fish Farming in Kenya
- The Fisheries Department Aquaculture Farm in Sagana
- Progress Noted in Top-working and Grafting Services Intervention
- Mango Production Cluster Survey Launched

USAID Kenya BDS
Lower Kabete/Peponi Rd.
Junction, Westlands
P.O. Box 1327
00606 Sarit Centre
Nairobi, Kenya

Tel: 254-2-375-3318/9
Fax: 254-2-375-3320
info@kenyabds.com
www.kenyabds.com